

CITY OF HURRICANE, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

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INTRODUCTORY SECTION

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City of Hurricane

Larry LeBaron
Ethelyn Humphries
Mike Jensen
Dave Sanders

Clark R Fawcett
City Manager

Thomas B Hirschi
Mayor

Glenwood Humphries
Council Members

Honorable Mayor and City Council
City of Hurricane, Utah

The comprehensive Annual Financial Report of the City of Hurricane, Utah for the fiscal year ended June 30, 2006 is submitted herewith.

ACCOUNTING SYSTEM

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the liability is incurred. Accounting records for the City's utilities and other enterprises are maintained on the accrual basis.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues for general governmental functions totaled \$6,340,216 for 2005-06, an increase of \$561,905 from \$5,778,311 for fiscal year 2004-05. The following revenue sources are shown compared to fiscal year 2004-05.

<u>REVENUE SOURCE</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Increase (Decrease)</u>
Property Taxes and Penalties	\$ 997,718	\$1,118,829	\$121,111
Sales Tax	1,228,967	1,503,173	274,206
Franchise Taxes	662,871	811,254	148,383
License and Permits	584,094	541,587	(42,507)
Intergovernmental Revenue	540,595	502,771	(37,824)
Charges and Services	945,025	1,234,696	289,671
Fines and Forfeitures	327,165	393,715	66,550
Other	491,876	234,191	(257,685)
Total	<u>\$5,778,311</u>	<u>\$6,340,216</u>	<u>\$561,905</u>

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Taxable value of Real Property for 2006 is \$624,125,266 representing an increase of over the preceding year. This increase results from the continued growth in residential, commercial, and industrial areas. The Certified tax rate for 2006 is .002061%.

Expenditures for general governmental purposes totaled \$6,345,266 which was \$710,003 more than 2004-2005. Levels of expenditures for major functions of the city with a comparison to the preceding year are shown in the following tabulation. General Government includes: Mayor and City Council, Judicial, Clerk, Treasurer, Recorder, Non-Departmental, Buildings and Grounds, Elections, Planning and Zoning, and Professional Services expenses; Public Safety includes: Police Protection, Fire Department, Ambulance, Inspection and Animal Control; Highways and Public Improvements includes: Highways General, Class "C" Roads, Waste Disposal, and Airport; Parks, Recreation, and Public Property includes: Parks, Recreation, Swimming Pool, and Cemetery.

<u>Function</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Increase (Decrease)</u>
General Government	\$1,056,894	\$1,351,190	\$ 294,296
Public Safety	2,475,190	2,973,736	498,546
Highways & Public Imp.	1,157,837	1,054,444	(103,393)
Parks, Recreation & Public Property	550,342	654,194	103,852
Transfer to Other Funds	395,000	311,702	(83,298)
Total	<u>\$5,635,263</u>	<u>\$6,345,266</u>	<u>\$ 710,003</u>

Enterprise Funds include: Electric Utilities, Water, Pressurized Irrigation, and the Sky Mountain Golf Course, Municipal Building Authority, and Drainage.

	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Revenues	\$7,993,212	\$3,174,206	\$ 1,398,204
Expenses	<u>7,145,326</u>	<u>1,678,819</u>	<u>1,391,184</u>
Net Income	<u>\$ 847,886</u>	<u>\$1,495,387</u>	<u>\$ 7,020</u>

INDEPENDENT AUDIT

Utah State Law requires an annual audit to be made of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the auditors' report has been included in this presentation.

EMPLOYEES RETIREMENT SYSTEM

The City of Hurricane participates in the Utah State Retirement system which covers all City, County, and State employees. The City contributes 11.09% of each salary to this system. The Police Department participates in the Public Safety Branch of the Utah State Retirement System. The City contributes 19.34% to the Public Safety System and 8.61% to the fireman's system. The City's contribution for the year ended June 30, 2006, was \$405,179.40. This included the Employees' voluntary contributions to the state 401K plan which all employees are eligible to participate in.

CLOSING STATEMENT

The preparation of this report could not have been accomplished without the efficient and dedicated services of the accounting staff of Hinton, Burdick, Hall & Spilker PLLC. I should also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

Clark R. Fawcett
City Manager

FINANCIAL SECTION



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Hurricane, UT 84737

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurricane City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hurricane City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurricane City, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006 on our consideration of Hurricane City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10-19, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hurricane City's basic financial statements. The introductory section, combining statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
October 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hurricane, we offer readers of the City of Hurricane's financial statements this narrative overview and analysis of the financial activities of the City of Hurricane for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The total net assets of the City of Hurricane increased 18.47% to \$31,481,157.

The total net assets of \$31,481,157 are made up of \$17,969,729 in capital assets net of related debt and \$13,511,428 in other assets.

In the General Fund, revenues exceeded expenditures by \$306,652. \$311,702 was then transferred to other funds including Capital Project Funds to be used to fund additional capital projects. The total fund balance of the General Fund represents 15.68% of total budgeted expenditures for the next fiscal year ending fy2007.

Total long-term liabilities of the City are \$16,398,852.

Business-type activities total net assets increased \$2,601,865 or 14.43%.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City of Hurricane's basic financial statements. The City of Hurricane's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hurricane's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the City of Hurricane's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Hurricane is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

- The statement of activities present information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Hurricane that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hurricane also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** -- These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement Activities) and governmental funds in a reconciliation included with the fund financial statements.
The only major government fund (as determined by generally accepted accounting principles) is the General Fund. The balances of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.
- **Proprietary funds** -- These funds also known as Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hurricane uses enterprise funds to account for its Electric Utility, Water Utility, Pressurized Irrigation Utility, Drainage System, Municipal Building Authority, and Golf Course. As shown in the financial statements, all enterprise funds except for Drainage and Pressurized Irrigation are classified as major funds. The Drainage and Pressurized Irrigation funds are

classified as nonmajor and are included in the combining statements within this report.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator or a government's financial position. In the case of the City of Hurricane, assets exceed liabilities by \$31,481,157.

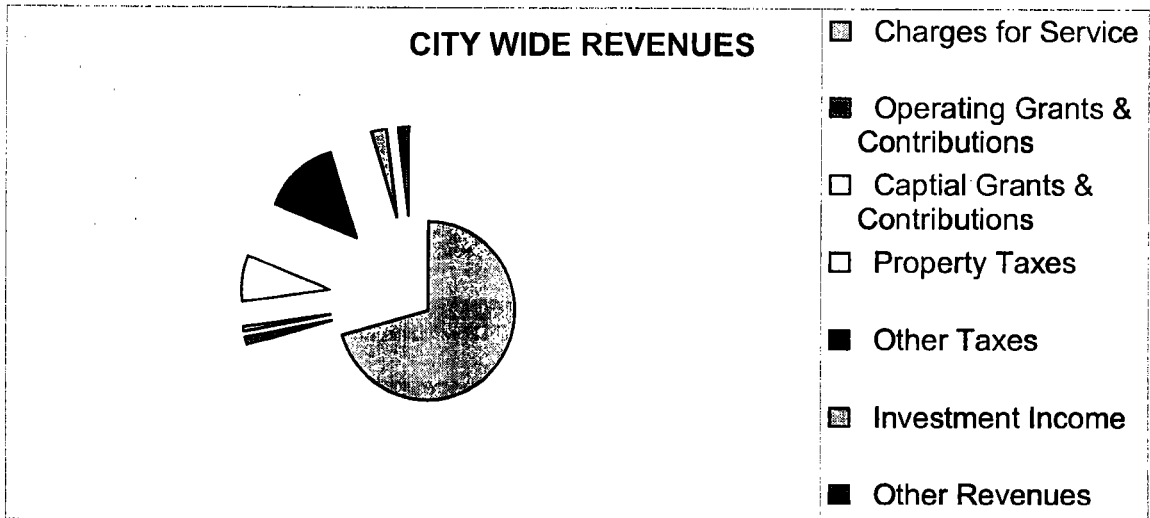
Capital assets comprise 64.89% of the net assets of the City. Capital assets consist of land, buildings, infrastructure assets, (roads, sidewalks, water and power lines, etc.) and machinery and equipment. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business- type Activities
Current and Other Assets	\$7,427,136	\$10,977,796
Capital Assets	<u>\$10,266,348</u>	<u>\$23,763,400</u>
Total Assets	<u>\$17,693,484</u>	<u>\$34,741,196</u>
Long-term debt outstanding	\$5,359,280	\$11,039,572
Other Liabilities	<u>\$1,485,707</u>	<u>\$3,068,964</u>
Total Liabilities	<u>\$6,844,987</u>	<u>\$14,108,536</u>
Net Assets:		
Invested in Capital Assets, net of Debt	\$5,053,192	\$12,916,537
Restricted	\$5,198,501	\$3,489,221
Unrestricted	<u>\$596,804</u>	<u>\$4,226,902</u>
Total Net Assets	<u>\$10,848,497</u>	<u>\$20,632,660</u>

CHANGES IN NET ASSETS

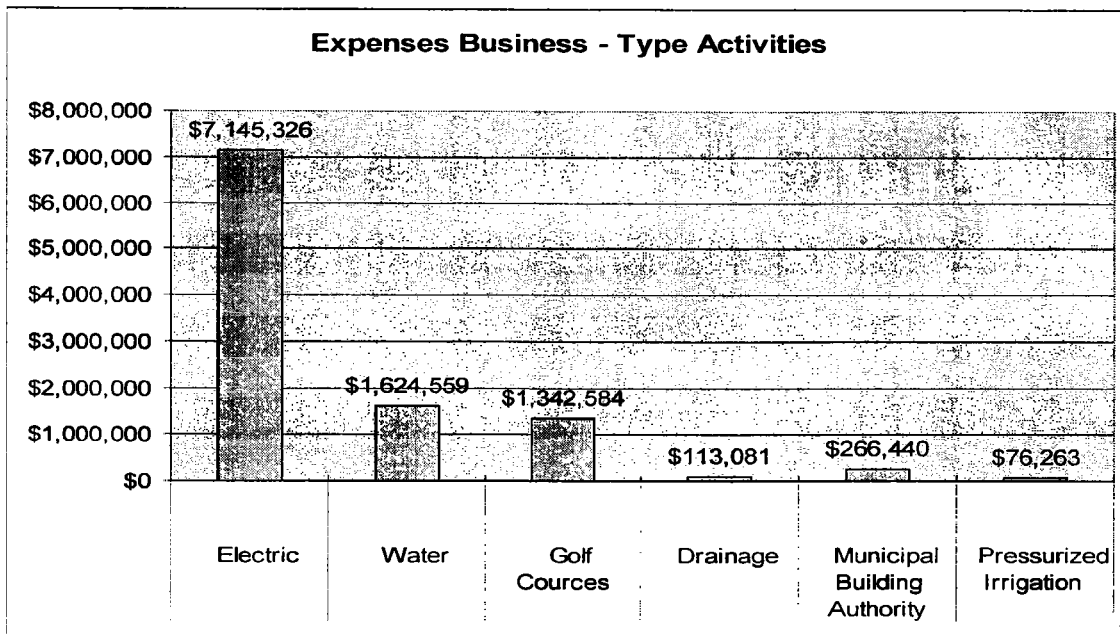
	Governmental Activities	Business- type Activities
Revenues:		
Program Revenues:		
Charges of Service	\$2,974,047	\$12,875,628
Operating Grants & Contributions	\$315,293	
Capital Grants & Contributions	\$217,206	
Property Taxes	\$1,820,755	
Other Taxes	\$3,215,458	
Investment Income	\$246,736	\$349,098
Other Revenues	<u>\$ 518,625</u>	<u>\$(54,606)</u>
Total Revenues	<u>\$9,308,120</u>	<u>\$13,170,120</u>
Expenses:		
General government	\$1,183,897	
Public Safety	\$2,943,534	
Highways/Public Improvements	\$1,605,323	
Parks & recreation	\$747,983	
Economic Development	\$313,937	
Interest on Long-term Debt	\$207,794	
Electric		\$7,145,326
Water		\$1,624,559
Golf Courses		\$1,342,584
Drainage		\$113,081
Municipal Building Authority		\$266,440
Pressurized Irrigation		<u>\$76,263</u>
Total Expenses	<u>\$7,002,468</u>	<u>\$10,568,253</u>
Increase in Net Assets	\$2,305,652	\$2,601,867
Net Assets Beginning	<u>\$8,542,845</u>	<u>\$18,030,795</u>
Net Assets End	\$10,848,497	\$20,632,660

The following graphs display the government-wide activities for governmental activities reflected in the above tables.

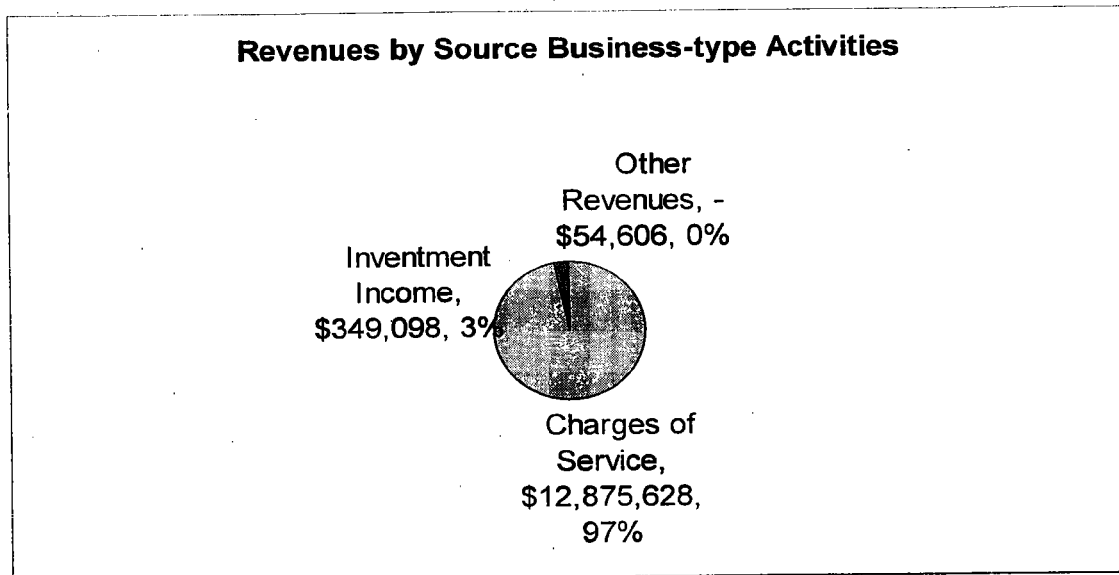


The largest revenue by far is charges for services. This is due to the number of proprietary funds whose main source of funding is service fees. The distribution of revenues is similar to prior years. The Charges for services have increased because of an increase in Electrical rates during the year. The remainder of the revenues should be consistent with prior years.

Total net assets in business-type activities increased by \$2,601,867. The Water Utility accounts for the largest portion of this with \$1,379,696 and the Electric Utility next at \$651,614.



As can be seen from the following chart, the majority of revenues in the business-type activities are in charges for services with over 98%, and with interest earnings of 3%. Investment interest is up 2% this year as the interest has begun to rise.



FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

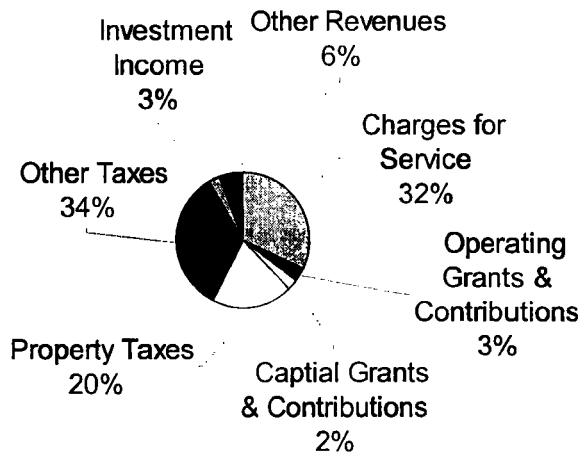
The focus of the City's government funds is to provide information on near-term inflows; outflows and balances of spend able resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2006, the City governmental funds (General, Capital Projects, Debt Service, & Special Revenue) reported combined fund balances of \$6,035,789. This represents an increase of \$1,473,682(32.2%) over last year's ending balances. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. While revenues exceeded expenditures in the General Fund by \$306,652, \$311,702 was transferred to the Capital Projects fund for use on future capital projects. The General Fund fund balance decreased by \$5,050. An analysis of this total fund balance shows that it represents just over 15.68% of projected revenues for the new fiscal year which ends June 30, 2007.

Taxes continue to be the largest source of revenue in the General Fund and represent 50% of total general fund revenues. The largest element of taxes is sales taxes. It represents 43.85% of total tax revenues and represents 23.91% of total general fund revenues. This compares with 21.27% in the prior fiscal year ended June 30, 2005.

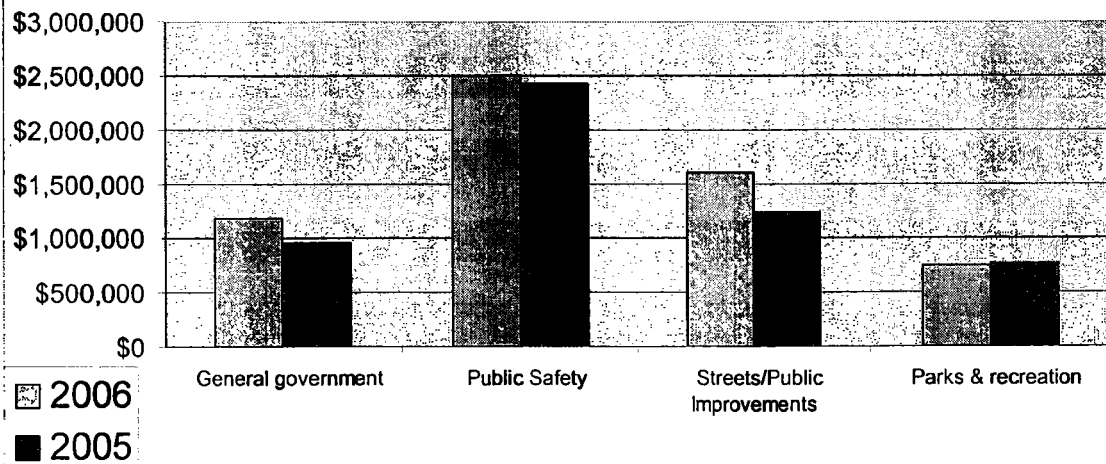
The following charts display General Fund revenues as a percent of total revenues.

Revenues by Source Governmental Activities



The following graphs display the expenditures in the General Fund by function for the past fiscal year. As can be seen by reviewing the graphs, the General and Administrative increased over \$200,000. This was due to increased insurance and engineering cost, and the addition of the beautification and meter reading budgets to Administration. The Parks and Recreation is fairly consistent between 2005 and 2006 showing a slight decrease of about \$16,000. The Streets & Public Improvements saw a largest increase in expenditures from 2005 to 2006. This increase amounts to \$367,729. This is due to an increased emphasis on street improvements. The Public Safety was fairly stable with a slight increase of \$65,240.

Governmental Activities 2005 2006 Comparision



As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separated fund statements included in this report provides the same information for business-type activities as is provided in the governmental-wide financial statements. However, the difference is that the fund statements provide much more detail.

The Electric Utility fund continued strong in its operations during the year with increased charges for services and impact fees. Total operating revenues increased \$886,374 or 14.37% during the year and the impact fees due to decreased growth decreased \$317,926 or 30.04%. Total expenditures increase by 12.71%, and the cost of power increased by 11.95%. The net results were that the utility posted an income of \$847,886 in 2006. The water utility fund had an increase in its net income from \$1,452,927 in 2005 to \$1,495,387, in 2006. This was due to increase water sales of 26.64%, and an increase in impact and connection fees of 10.30%. Operating expenses in the water fund increased 46%.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$5,665,358 to a final budget of \$6,264,763 (10.58%). These increases were made to take advantage of revenues being better than originally anticipated. The largest increase was to allow for the transfer of surplus revenues from the General Fund to the Capital Project Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City of Hurricane's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$34,029,748 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, infrastructure (streets, sidewalk, etc.), and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction of road widening, sidewalk, curb & gutter on 1300 South between 400 West and 920 West. This project was not finished until October 2007.
- Water distribution system improvements and electric distribution line improvements.

HURRICANE CITY'S CAPITAL ASSETS

(net of depreciation)

Governmental Activities

Business-type Activities

Water Stock		\$1,852,778
Land	\$4,580,073	\$2,404,844
Buildings	\$414,050	\$2,025,871
Infrastructure	\$3,780,918	\$8,921,797
Machinery & Equipment	\$1,491,307	
Plant, Property, & Equipment		\$8,558,110
Total	\$10,266,348	\$23,763,400

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt – At June 30, 2006, the City had total bonded debt outstanding of \$14,983,000. Of this amount \$1,502,000 is considered to be general obligation debt and backed by the full faith and credit of the City; \$565,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; \$2,430,000 is Redevelopment Agency debt backed by tax increment financing; and the remainder of \$10,486,000 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

	<u>Governmental Activities</u>		<u>Business- type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$1,502,000	\$1,589,000		
RDA Bonds	\$2,415,792	\$2,769,240		
Capital Leases	\$730,364	\$972,368	\$61,070	\$102,737
Notes Payable			\$492,501	\$521,880
Special Assessment Debt	\$565,000	\$1,054,000		
Revenue Bonds			\$10,293,292	\$11,058,350
Total Outstanding Debt	\$5,213,156	\$6,384,608	\$10,846,863	\$11,682,967

The City's total debt decreased by \$2,000,261 during the year. No new bonds were issued during the fiscal year.

State statutes limit the amount of the general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$24,965,010, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or

electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer, and electrical projects is thus \$49,930,021, which again significantly exceeds the outstanding business-type activity debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Unemployment in Washington County (of which Hurricane is the 3rd largest City) was 2.2% compared with a state unemployment rate of 2.8% and a national rate of 4.4%. This compares with a rate of 3.0% in 2005. (source: Utah Department of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2007 reflects an increase of 18.30% over the final budget for the fiscal year-ended June 30, 2006.
- Growth in construction of new homes decreased in 2005-06. Over 300 residential building permits were issued during the year. The 2000 census showed an average of 2.9 people per household in Hurricane, thus the increase in population during the year was around 900. The commercial construction was up in 2006. This is reflected in the total valuation of all building permits during the year. By June 30 2006 fiscal year end, the total valuation was up \$9,373,938 compared to June 30, 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the city of Hurricane's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: City of Hurricane, City Manager, and 147 North 870 West, Hurricane, Utah 84737.

BASIC FINANCIAL STATEMENTS

CITY OF HURRICANE, UTAH
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,059,809	\$ 5,662,995	\$ 6,722,804
Receivables (net of allowance)	958,276	1,046,085	2,004,361
Inventory	-	670,141	670,141
Prepaid Expense	-	62,304	62,304
Internal balances	145,657	(145,657)	-
Prepays	237,585	-	237,585
Deferred Charges	14,208	192,707	206,915
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	5,011,601	3,489,221	8,500,822
Capital assets (net of accumulated depreciation):			
Water stock	-	1,852,778	1,852,778
Land, improvements and water rights	4,580,073	2,404,844	6,984,917
Plant and equipment	1,491,307	8,558,110	10,049,417
Irrigation pond	-	11,466	11,466
Water tank	-	867,172	867,172
Intangible plant	-	-	-
Buildings	414,050	2,025,871	2,439,921
Distribution system	-	8,043,159	8,043,159
Infrastructure	3,780,918	-	3,780,918
Total assets	<u>17,693,484</u>	<u>34,741,196</u>	<u>52,434,680</u>
Liabilities			
Accounts payable and other current liabilities	720,003	2,914,861	3,634,864
Deferred revenue	657,136	-	657,136
Interest payable	108,568	154,103	262,671
Noncurrent liabilities:			
Due within one year	823,372	627,251	1,450,623
Due in more than one year	4,535,908	10,412,321	14,948,229
Total liabilities	<u>6,844,987</u>	<u>14,108,536</u>	<u>20,953,523</u>
Net Assets			
Invested in capital assets, net of related debt	5,053,192	12,916,537	17,969,729
Restricted for:			
Debt service	92,412	1,149,384	1,241,796
Capital projects	4,538,060	2,339,837	6,877,897
Legal restrictions	381,787	-	381,787
Other purposes	186,242	-	186,242
Unrestricted	596,804	4,226,902	4,823,706
Total Net Assets	<u>\$ 10,848,497</u>	<u>\$ 20,632,660</u>	<u>\$ 31,481,157</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,183,897	\$ 595,785	\$ 3,875	\$ -	\$ (584,237)	\$ -
Public safety	2,943,534	1,042,218	68,179	12,480	(1,820,657)	-
Highways	1,605,323	808,485	192,312	204,726	(399,800)	-
Parks and recreation	747,983	527,559	50,927	-	(169,497)	-
Economic development	313,937	-	-	-	(313,937)	-
Interest on long-term debt	207,794	-	-	-	(207,794)	-
Total governmental activities	7,002,468	2,974,047	315,293	217,206	(3,495,922)	-
Business-type activities:						
Water	1,624,559	3,004,255	-	-	-	1,379,696
Electric	7,145,326	7,796,940	-	-	-	651,614
Golf course	1,342,584	1,369,586	-	-	-	27,002
Municipal Building Authority	266,440	336,060	-	-	-	69,620
Pressurized Irrigation	76,263	126,181	-	-	-	49,918
Drainage	113,081	242,606	-	-	-	129,525
Total business-type activities	10,568,253	12,875,628	-	-	-	2,307,375
General Revenues:						
Taxes:						
Property taxes levied for general purposes					1,065,925	-
Property taxes levied for debt service					754,830	-
Franchise taxes					816,678	-
General sales taxes and highway sales taxes					1,857,193	-
Licenses, permits, and fees					541,587	-
Unrestricted investment earnings					246,736	349,098
Lease payments					98,586	(112,320)
Gain (loss) on sale of assets					16,071	57,714
Miscellaneous					403,968	-
Transfers					-	-
Total general revenues & transfers					5,801,574	294,492
Change in net assets					2,305,652	2,601,867
Net assets - beginning					8,542,845	18,030,793
Net assets - ending					\$ 10,848,497	\$ 20,632,660
						\$ 31,481,157

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,059,809	\$ -	\$ -
Receivables	63,121	-	-
Current special assessments receivable	-	14,706	-
Due from other governments	223,313	-	-
Due from other funds	-	-	298,955
Prepaid expenses	237,585	-	-
Restricted cash and cash equivalents	181,738	48,478	4,781,385
Noncurrent special assessments receivable	-	657,136	-
Total assets	<u>\$ 1,765,566</u>	<u>\$ 720,320</u>	<u>\$ 5,080,340</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 476,491	\$ -	\$ 7,195
Accrued liabilities	188,648	39,889	-
Court Funds Held	7,780	-	-
Due to other funds	-	-	153,298
Deferred revenue	-	657,136	-
Total liabilities	<u>672,919</u>	<u>697,025</u>	<u>160,493</u>
Fund Balances:			
Reserved for:			
Debt service	44,625	23,295	-
Capital outlay	-	-	4,538,060
Other	186,242	-	381,787
Unreserved, reported in:			
General fund	861,780	-	-
Special revenue fund	-	-	-
Capital projects funds	-	-	-
Debt service fund	-	-	-
Total fund balances	<u>1,092,647</u>	<u>23,295</u>	<u>4,919,847</u>
Total liabilities and fund balance	<u>\$ 1,765,566</u>	<u>\$ 720,320</u>	<u>\$ 5,080,340</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities
The accompanying notes are an integral part of the financial statements.

**Total
Governmental
Funds**

\$ 1,059,809
63,121
14,706
223,313
298,955
237,585
5,011,601
657,136

\$ 7,566,226

\$ 483,686
228,537
7,780
153,298
657,136

1,530,437

67,920
4,538,060
568,029

861,780
-
-
-

6,035,789

10,266,348

(5,453,640)

\$ 10,848,497

CITY OF HURRICANE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds
Revenues			
Taxes	\$ 3,433,256	\$ -	\$ 1,061,370
Licenses, permits and fees	541,587	-	-
Intergovernmental revenue	502,771	-	-
Charges for services	1,234,696	-	835,494
Fines and forfeitures	393,715	-	-
Sale of capital assets	3,500	-	2
Special Assessments	-	437,673	-
Contributions and donations	-	-	25,195
Investment earnings	46,463	52,452	147,821
Other revenues	184,228	-	296,742
Total revenues	6,340,216	490,125	2,366,624
Expenditures			
Current:			
General government	1,351,190	448	53,064
Public safety	2,973,736	-	-
Highways	1,054,444	-	-
Parks and recreation	654,194	-	-
Economic development	-	-	310,385
Debt service:			
Principal	-	489,000	434,382
Interest	-	45,807	186,479
Capital outlay:			
Street construction	-	-	97,776
Capital outlay	-	-	170,964
Total expenditures	6,033,564	535,255	1,253,050
Excess (deficiency) of revenues over (under) expenditures	306,652	(45,130)	1,113,574
Other Financing Sources (Uses)			
Lease proceeds	-	-	-
Lease payment	-	-	98,586
Operating transfers in	-	-	311,702
Operating transfers out	(311,702)	-	-
Total other financing sources and uses	(311,702)	-	410,288
Net change in fund balances	(5,050)	(45,130)	1,523,862
Fund balances, beginning of year	1,097,697	68,425	3,395,985
Fund balances, end of year	\$ 1,092,647	\$ 23,295	\$ 4,919,847

The accompanying notes are an integral part of the financial statements.

**Total
Governmental
Funds**

\$ 4,494,626
541,587
502,771
2,070,190
393,715
3,502
437,673
25,195
246,736
480,970

9,196,965

1,404,702
2,973,736
1,054,444
654,194
310,385

923,382
232,286

97,776
170,964

7,821,869

1,375,096

-
98,586
311,702
(311,702)

98,586

1,473,682

4,562,107

\$ 6,035,789

CITY OF HURRICANE, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net change in fund balances - total governmental funds (page 25)	\$ 1,473,682
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(291,752)
Governmental funds do not report the transfer of nonfinancial resources (such as a capital asset) to an enterprise fund as a transfer. However, in the statement of activities, the transfer is reported.	-
In the statement of activities, only the gain or loss on sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(64,929)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,164,158
Accrued interest for long-term debt is not reported as an expenditure for the current period in the governmental funds, while it is recorded in the statement of activities.	24,492
Change in net assets of governmental activities (page 21)	<u>\$ 2,305,651</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,600,880	\$ 3,317,755	\$ 3,433,256	\$ 115,501
Licenses, permits and fees	286,100	570,775	541,587	(29,188)
Intergovernmental revenue	529,442	528,100	502,771	(25,329)
Charges for services	794,600	1,153,517	1,234,696	81,179
Fines and forfeitures	262,800	405,565	393,715	(11,850)
Sale of capital assets	4,000	4,000	3,500	(500)
Investment earnings	16,635	39,940	46,463	6,523
Other revenues	37,725	206,046	184,228	(21,818)
Total revenues	4,532,182	6,225,698	6,340,216	114,518
Expenditures				
Current:				
General government	1,068,103	1,397,861	1,351,190	46,671
Public safety	2,155,489	2,990,444	2,973,736	16,708
Highways	991,754	854,921	1,054,444	(199,523)
Parks and recreation	529,351	711,485	654,194	57,291
Total expenditures	4,744,697	5,954,711	6,033,564	(78,853)
Excess (deficiency) of revenues over (under) expenditures	(212,515)	270,987	306,652	35,665
Other Financing Sources (Uses)				
Lease proceeds	215,000	-	-	-
Operating transfers in	51,000	39,200	-	(39,200)
Operating transfers out	(45,000)	(311,702)	(311,702)	-
Total other financing sources and uses	221,000	(272,502)	(311,702)	(39,200)
Net change in fund balances	8,485	(1,515)	(5,050)	(3,535)
Fund balances, beginning of year	1,097,697	1,097,697	1,097,697	-
Fund balances, end of year	\$ 1,106,182	\$ 1,096,182	\$ 1,092,647	\$ (3,535)

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Water Fund	Electric Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 960,416	\$ 3,932,809
Receivables, net of allowance	181,121	834,292
Inventory	-	670,141
Prepaid Expense	-	62,304
Due from other funds	-	-
Due from other governments	-	-
Bond discounts and issuance costs, net of accumulated amortization	-	138,421
Total current assets	<u>1,141,537</u>	<u>5,637,967</u>
Noncurrent assets:		
Restricted cash and cash equivalents	2,287,992	980,875
Capital assets:		
Water stock	1,579,913	-
Land, improvements and water rights	299,760	486,817
Plant and equipment	641,984	10,793,845
Irrigation pond	-	-
Water tank	978,068	-
Intangible plant	-	36,780
Buildings	68,663	28,395
Distribution system	5,328,134	4,279,369
Less: Accumulated depreciation	(2,028,631)	(5,032,062)
Total noncurrent assets	<u>9,155,883</u>	<u>11,574,019</u>
Total assets	<u>10,297,420</u>	<u>17,211,986</u>
Liabilities		
Current liabilities:		
Accounts payable	180,206	2,163,685
Accrued liabilities	9,931	165,338
Customer deposits	44,370	283,393
Due to other funds	-	-
Due to other governments	-	-
Interest payable	-	104,666
Current portion of noncurrent liabilities	47,437	364,814
Total current liabilities	<u>281,944</u>	<u>3,081,896</u>
Noncurrent liabilities:		
Leases payable	47,344	13,727
Notes payable	492,501	-
Bonds payable	-	6,528,000
Less current portion of noncurrent liabilities	(47,437)	(364,814)
Total noncurrent liabilities	<u>492,408</u>	<u>6,176,913</u>
Total liabilities	<u>774,352</u>	<u>9,258,809</u>
Net Assets		
Invested in capital assets, net of related debt	6,328,046	4,189,838
Restricted for debt service	-	929,030
Restricted for capital outlay	2,287,992	51,845
Unrestricted	907,030	2,782,464
Total net assets	<u>\$ 9,523,068</u>	<u>\$ 7,953,177</u>

The accompanying notes are an integral part of the financial statements.

<u>Golf Fund</u>	<u>Municipal Building Authority</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals 2006</u>
\$ 791,965	\$ (134,973)	\$ 112,778	\$ 5,662,995
-	-	30,672	1,046,085
-	-	-	670,141
-	-	-	62,304
-	-	-	-
-	-	-	-
-	54,286	-	192,707
<u>791,965</u>	<u>(80,687)</u>	<u>143,450</u>	<u>7,634,232</u>
-	126,013	94,341	3,489,221
-	-	272,865	1,852,778
-	2,046,244	-	2,832,821
976,849	-	-	12,412,678
13,029	-	-	13,029
-	-	-	978,068
-	-	-	36,780
26,368	2,224,690	-	2,348,116
-	-	2,594,183	12,201,686
<u>(787,331)</u>	<u>(644,624)</u>	<u>(419,906)</u>	<u>(8,912,554)</u>
<u>228,915</u>	<u>3,752,323</u>	<u>2,541,483</u>	<u>27,252,623</u>
<u>1,020,880</u>	<u>3,671,636</u>	<u>2,684,933</u>	<u>34,886,855</u>
34,696	-	275	2,378,862
32,969	-	-	208,238
-	-	-	327,763
145,657	-	-	145,657
-	-	-	-
-	21,352	28,085	154,103
-	140,000	75,000	627,251
<u>213,322</u>	<u>161,352</u>	<u>103,360</u>	<u>3,841,874</u>
-	-	-	61,071
-	-	-	492,501
-	2,855,000	1,103,000	10,486,000
-	(140,000)	(75,000)	(627,251)
-	<u>2,715,000</u>	<u>1,028,000</u>	<u>10,412,321</u>
<u>213,322</u>	<u>2,876,352</u>	<u>1,131,360</u>	<u>14,254,195</u>
228,915	825,596	1,344,142	12,916,537
-	126,013	94,341	1,149,384
-	-	-	2,339,837
<u>578,643</u>	<u>(156,325)</u>	<u>115,090</u>	<u>4,226,902</u>
<u>\$ 807,558</u>	<u>\$ 795,284</u>	<u>\$ 1,553,573</u>	<u>\$ 20,632,660</u>

CITY OF HURRICANE, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund	Electric Fund	Golf Fund
Operating revenues:			
Charges for services	\$ 1,385,799	\$ 6,885,743	\$ 1,369,586
Other revenues	20,309	170,981	-
Total operating revenues	<u>1,406,108</u>	<u>7,056,724</u>	<u>1,369,586</u>
Operating expenses:			
Purchased power	-	4,210,377	-
Power generation	-	353,142	-
Rent	1,600	7,278	237,186
Salaries and wages	219,706	436,554	403,623
Payroll taxes	24,636	47,049	45,200
Employee benefits	95,202	129,479	129,313
Distribution system repairs and maintenance	268,658	158,836	69,806
Equipment repairs and maintenance	7,582	15,276	63,980
Truck repairs and maintenance	22,719	16,668	-
Tools expense	2,831	7,415	2,058
Office expense	-	14,100	-
Gasoline	12,228	12,627	27,920
Insurance	15,183	60,143	12,138
Depreciation	244,023	671,789	93,953
Bad debts	3,056	16,939	-
Telephone	3,641	13,520	4,760
Utilities	194,166	1,438	18,171
Office supplies	2,290	3,570	7,402
Special department supplies	-	76,180	-
Professional services	57,518	117,148	6,990
Trustee fees	-	-	-
Advertising	-	-	4,037
Franchise payment	-	371,101	-
Travel and training	5,415	11,114	501
Miscellaneous	259,848	51,587	2,595
Sales tax	-	-	78,608
Fertilizer and chemicals	8,628	-	48,785
Postage and freight	7,375	9,046	-
Credit card expense	-	10,925	16,929
Assessments	-	-	-
Tree trimming	-	4,001	-
Water costs	119,735	-	117,229
Total operating expenses	<u>1,576,040</u>	<u>6,827,302</u>	<u>1,391,184</u>
Operating income (loss)	<u>(169,932)</u>	<u>229,422</u>	<u>(21,598)</u>
Nonoperating revenues (expenses):			
Connection and impact fees	1,598,147	740,216	-
Interest income	112,237	196,272	28,618
Gain (loss) on sale of capital assets	57,714	-	-
Interest expense and fiscal charges	(48,519)	(318,024)	-
Total nonoperating revenues (expenses)	<u>1,719,579</u>	<u>618,464</u>	<u>28,618</u>
Income before contributions and transfers	<u>1,549,647</u>	<u>847,886</u>	<u>7,020</u>
Transfers from other funds	-	-	-
Transfers to other funds	(54,260)	-	-
Change in net assets	<u>1,495,387</u>	<u>847,886</u>	<u>7,020</u>
Total net assets, beginning of year	<u>8,027,681</u>	<u>7,105,291</u>	<u>800,538</u>
Total net assets, end of year	<u>\$ 9,523,068</u>	<u>\$ 7,953,177</u>	<u>\$ 807,558</u>

The accompanying notes are an integral part of the financial statements.

Municipal Building Authority	Non-Major Enterprise Funds	Totals 2006
\$ 336,060	\$ 328,700	\$ 10,305,888
-	-	191,290
336,060	328,700	10,497,178
-	-	4,210,377
-	-	353,142
-	63,720	309,784
-	-	1,059,883
-	-	116,885
-	-	353,994
-	5,563	502,863
-	-	86,838
-	-	39,387
-	-	12,304
-	-	14,100
-	-	52,775
3,637	2,550	93,651
120,535	56,664	1,186,964
-	788	20,783
-	-	21,921
-	15,225	229,000
-	-	13,262
-	-	76,180
-	7,587	189,243
5,984	-	5,984
-	-	4,037
-	-	371,101
-	-	17,030
-	36,399	350,429
-	-	78,608
-	-	57,413
-	-	16,421
-	-	27,854
-	15,913	15,913
-	-	4,001
-	-	236,964
130,156	204,409	10,129,091
205,904	124,291	368,087
-	40,087	2,378,450
4,984	6,987	349,098
-	-	57,714
(136,284)	(48,655)	(551,482)
(131,300)	(1,581)	2,233,780
74,604	122,710	2,601,867
-	54,260	54,260
-	-	(54,260)
74,604	176,970	2,601,867
720,680	1,376,603	18,030,793
\$ 795,284	\$ 1,553,573	\$ 20,632,660

CITY OF HURRICANE, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund	Electric Fund
Cash flows from operating activities:		
Cash received from customers, service fees	\$ 1,328,296	\$ 6,749,557
Cash received from customers, capacity fees and other	20,309	170,981
Cash paid to suppliers	(1,034,316)	(4,295,360)
Cash paid to employees	(341,890)	(583,306)
Net cash provided by operating activities	<u>(27,601)</u>	<u>2,041,872</u>
Cash flows from noncapital financing activities:		
Transfers (to) from other funds	(54,260)	-
Advances (to) from other funds	-	168,992
Net cash provided (used) by noncapital financing activities	<u>(54,260)</u>	<u>168,992</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds	(43,827)	(558,217)
Interest paid	(48,519)	(325,886)
Purchase of capital assets	(212,435)	(1,699,087)
Connection and impact fees	1,598,147	740,216
Net cash provided (used) by capital and related financing activities:	<u>1,293,366</u>	<u>(1,842,974)</u>
Cash flows from investing activities:		
Interest on investments	<u>112,237</u>	<u>196,272</u>
Net increase (decrease) in cash and cash equivalents	1,323,742	564,162
Cash and cash equivalents, beginning of year	<u>1,924,666</u>	<u>4,349,522</u>
Cash and cash equivalents, end of year	<u>\$ 3,248,408</u>	<u>\$ 4,913,684</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ (169,932)	\$ 229,422
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation/amortization	244,023	671,789
Changes in operating assets and liabilities:		
(Increase) Decrease in receivables	(57,503)	(136,186)
(Increase) Decrease in inventory	-	(55,418)
(Increase) Decrease in prepaid expenses	-	(62,304)
(Increase) Decrease in deferred charges	-	12,334
Increase (Decrease) in accounts payable	(41,843)	1,352,459
Increase (Decrease) in accrued liabilities	<u>(2,346)</u>	<u>29,775</u>
Net cash provided by operating activities	<u>\$ (27,601)</u>	<u>\$ 2,041,871</u>
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Contributions of capital assets from government	\$ -	\$ -
Purchase of equipment with payable to another fund	\$ -	\$ -
Capital asset trade-ins	\$ 165,436	\$ -

The accompanying notes are an integral part of the financial statements.

<u>Golf Fund</u>	<u>Municipal Building Authority</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals 2006</u>
\$ 1,369,586	\$ 336,060	\$ 330,762	\$ 10,114,261
-	-	-	191,290
(704,732)	(4,012)	(197,818)	(6,236,238)
(572,346)	-	-	(1,497,542)
<u>92,508</u>	<u>332,048</u>	<u>132,944</u>	<u>2,571,771</u>
-	-	54,260	-
(36,416)	(160,416)	(8,576)	(36,416)
<u>(36,416)</u>	<u>(160,416)</u>	<u>45,684</u>	<u>(36,416)</u>
-	(181,000)	(71,000)	(854,044)
-	(137,322)	(50,618)	(562,345)
-	-	(114,221)	(2,025,743)
-	-	40,087	2,378,450
-	<u>(318,322)</u>	<u>(195,752)</u>	<u>(1,063,682)</u>
<u>28,618</u>	<u>4,984</u>	<u>6,987</u>	<u>349,098</u>
84,710	(141,706)	(10,137)	1,820,771
<u>707,255</u>	<u>132,746</u>	<u>217,256</u>	<u>7,331,445</u>
<u>\$ 791,965</u>	<u>\$ (8,960)</u>	<u>\$ 207,119</u>	<u>\$ 9,152,216</u>
\$ (21,598)	\$ 205,904	\$ 124,291	\$ 368,087
93,953	120,535	56,664	1,186,964
-	-	2,063	(191,626)
-	-	-	(55,418)
-	-	-	(62,304)
-	5,609	-	17,943
14,363	-	(50,073)	1,274,906
<u>5,790</u>	<u>-</u>	<u>-</u>	<u>33,219</u>
<u>\$ 92,508</u>	<u>\$ 332,048</u>	<u>\$ 132,945</u>	<u>\$ 2,571,771</u>
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 165,436

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of the City of Hurricane, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The accompanying financial statements include all activities of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Debt Service Fund is used to account for the collection of special assessments and payment of the bond principal and interest related to the Special Improvement District.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Electric Utilities Fund is used to account for the provision of electricity to the residents of the City.

The Golf Course Fund is used to account for the operation and maintenance of the City's golf course.

The Municipal Building Authority Fund is used to account for the construction, financing and operation of various assets that will be leased to other funds of the City. The assets include the city office, golf course pond, drainage pond, City fire stations and City swimming pool facilities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the Redevelopment Agency Fund by the Golf Fund and Pressurized Irrigation Fund for the lease of the golf course and irrigation pond. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Distribution system and improvements	20 to 50 years
Plant and equipment	5 to 10 years
Infrastructure	20 years
Intangible assets	10 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$5,453,640 difference are as follows:

Bonds Payable	\$ 4,497,000
Notes Payable	-
Leases Payable	730,364
Compensated absences	131,916
Accrued interest payable	108,568
Less: Deferred amounts	<u>(14,208)</u>
Net adjustment to increase net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 5,453,640</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this \$291,752 difference are as follows:

Capital Outlay	\$ 895,807
Depreciation Expense	<u>(1,187,559)</u>
Net adjustment to increase net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental funds.	 <u><u>\$ (291,752)</u></u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,164,158 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ -
Principal repayments:	
Payments on bonds payable	929,448
Payments on capital leases	242,004
Increase in accrued compensated absences	<u>(7,294)</u>
Net adjustment to increase net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,164,158</u>

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The City Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the first meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are required for the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects funds, and the Enterprise Funds.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to June 22, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts within departments; however, to transfer budgeted amounts between departments requires City Council approval. Any revisions that alter the total expenditures of any fund must be approved through public hearing by the City Council and can be made at any time during the fiscal year.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 3. Stewardship, Compliance, and Accountability, Continued

Budgets for the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Funds are prepared on the modified accrual method of accounting. Budgets for the Enterprise Funds are prepared on the accrual basis of accounting. Control is maintained at the function level. (i.e. Public Safety, Highways and Public Improvements, etc.) All appropriations lapse at year-end. Utah State law requires budgets to be prepared and reported on for the General Fund and major Special Revenue Funds. The General Fund budget was amended during the current fiscal year.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in three installments: July, December, and March. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2006, \$307,699 of the City's bank balance of \$418,426 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Zions Bank					
Treasury Obligations	\$ 1,803,901	\$ 1,803,901	\$ -	\$ -	-
State of Utah Public Treasurer's Investment Fund	13,327,436	13,327,436	-	-	-
Total Fair Value	<u>\$15,131,337</u>	<u>\$15,131,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006, the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Zions Bank					
Treasury Obligations	\$ 1,803,901	\$ 1,803,901	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	13,327,436	-	-	-	13,327,436
Total Fair Value	<u>\$ 15,131,337</u>	<u>\$ 1,803,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,327,436</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
Capital assets, not being depreciated:				
Land	\$ 3,146,091	\$ 10,400	\$ -	\$ 3,156,491
Total capital assets, not being depreciated:	<u>3,146,091</u>	<u>10,400</u>	<u>-</u>	<u>3,156,491</u>
Capital assets, being depreciated:				
Improvements	2,196,619	137,274	-	2,333,893
Plant and equipment	4,511,136	355,234	86,159	4,780,211
Buildings	580,673	-	-	580,673
Infrastructure	8,856,152	392,900	-	9,249,052
Total capital assets, being depreciated:	<u>16,144,580</u>	<u>885,408</u>	<u>86,159</u>	<u>16,943,829</u>
Less accumulated depreciation for:				
Improvements	(792,852)	(117,459)	-	(910,311)
Plant and equipment	(2,892,418)	(417,716)	(21,230)	(3,288,904)
Buildings	(151,681)	(14,942)	-	(166,623)
Infrastructure	(4,830,693)	(637,442)	-	(5,468,135)
Total accumulated depreciation	<u>(8,667,644)</u>	<u>(1,187,559)</u>	<u>(21,230)</u>	<u>(9,833,973)</u>
Total capital assets, being depreciated, net	<u>7,476,936</u>	<u>(302,151)</u>	<u>64,929</u>	<u>7,109,856</u>
Governmental activities capital assets, net	<u>\$ 10,623,027</u>	<u>\$ (291,751)</u>	<u>\$ 64,929</u>	<u>\$ 10,266,347</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:

General government	\$ 29,939
Public safety	277,309
Highways	763,443
Parks and recreation	116,868
Total depreciation expense - governmental activities	<u>\$ 1,187,559</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets, Continued

Business Type Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets not being depreciated:				
Water stock	\$ 1,844,588	\$ 8,190	\$ -	\$ 1,852,778
Land and water rights	267,323	519,254	-	786,577
Total capital assets, not being depreciated	2,111,911	527,444	-	2,639,355
Capital assets being depreciated:				
Improvements	2,046,244	-	-	2,046,244
Plant and equipment	11,221,399	1,419,280	228,000	12,412,679
Irrigation pond	13,029	-	-	13,029
Water tank	935,317	42,751	-	978,068
Intangible plant	36,780	-	-	36,780
Buildings	2,348,116	-	-	2,348,116
Distribution system	11,894,417	307,270	-	12,201,687
Total capital assets, being depreciated	28,495,302	1,769,301	228,000	30,036,603
Less accumulated depreciation for:				
Improvements	(363,060)	(64,918)	-	(427,978)
Plant and equipment	(3,182,334)	(686,948)	(14,714)	(3,854,568)
Irrigation pond	(1,303)	(261)	-	(1,564)
Water tank	(63,005)	(47,891)	-	(110,896)
Intangible plant	(36,780)	-	-	(36,780)
Buildings	(260,641)	(61,604)	-	(322,245)
Distribution system	(3,833,183)	(325,343)	-	(4,158,526)
Total accumulated depreciation	(7,740,306)	(1,186,965)	(14,714)	(8,912,557)
Total capital assets, being depreciated, net	20,754,996	582,336	213,286	21,124,046
Business-type activities capital assets, net	\$ 22,866,907	\$ 1,109,780	\$ 213,286	\$ 23,763,401

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

Governmental activities:

	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 1,589,000	\$ -	\$ 87,000	\$ 1,502,000	\$ 34,000
Special assessment bonds	1,054,000	-	489,000	565,000	179,000
Tax increment bonds	2,787,000	-	357,000	2,430,000	375,000
Less deferred amounts:					
For issuance costs	(17,760)	-	(3,552)	(14,208)	-
Total bonds payable	5,412,240	-	929,448	4,482,792	588,000
Notes payable	-	-	-	-	-
Capital leases	972,368	-	242,004	730,364	152,067
Accrued Compensated Absences	124,622	7,294	-	131,916	83,305
Governmental activity					
Long-term liabilities	6,509,230	7,294	1,171,452	5,345,072	823,372
Business-type activities:					
Revenue bonds	\$ 11,269,000	\$ -	\$ 783,000	\$ 10,486,000	\$ 566,000
Less deferred amounts:					
For issuance costs	(120,648)	-	(10,798)	(109,850)	-
For issuance discounts	(90,002)	-	(7,144)	(82,858)	-
Total bonds payable	11,058,350	-	765,058	10,293,292	566,000
Notes payable	521,880	-	29,379	492,501	32,135
Capital leases	102,737	-	41,667	61,070	29,116
Business type activity					
Long-term liabilities	11,682,967	-	836,103	10,846,864	627,251

The following is a summary of bond transactions of the City for the year ended June 30, 2006.

Bonds Payable at July 1, 2005	\$ 16,699,000
New Bonds Issued	-
Bonds Retired	(1,716,000)
Bonds Payable at June 30, 2006	<u>\$ 14,983,000</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Bonds payable at June 30, 2006 are comprised of the following issues:

(1) General Obligation Bonds:

General Fund:

\$470,000, 8/20/96 General Obligation Bond Series 1996
due in annual installments of \$28,000 to \$46,000 through
August 1, 2012; interest at 4.5% to 6.35%. \$ 237,000

Special Revenue Funds:

\$1,525,000, Limited Obligation Road Bonds Series 1999
due in installments of \$240,000 to \$625,000 every five
years until 2019; interest at 5.0% to 6.05%. 1,265,000

(2) Special Assessment Bonds:

\$1,585,000, 7/15/98 Special Assessment Bonds (SID 96-1)
due in annual installments of \$153,000 to \$198,000
through July 15, 2008; interest at 5.3% to 5.4%. 565,000

(3) Revenue Bonds:

Storm Drainage Bonds:

\$345,000 Storm Drainage Bonds due in annual installments of
\$14,000 to \$28,000 through August 30, 2015;
interest at 6%. 221,000

\$721,000 Revenue Bonds due in annual installments of \$29,000
to \$36,000 through February 2008, interest at 5.15% to 5.50%,
with a balloon payment of \$431,000 due February 2018. 501,000

Pressurized Irrigation Fund:

\$586,000, 3/1/92 Revenue Bond due in annual installments of
\$21,000 to \$41,000 through March 1, 2018; interest at 5%. 381,000

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Municipal Building Authority:

\$2,453,000 Lease Revenue Bonds due in annual installments of \$98,000 to \$197,000 through June 2018; interest at 4.8% to 5.15%.	1,816,000
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\$250,000 Lease Revenue Bonds due in annual installments of \$22,000 to \$32,000 through June 2010; interest at 6%.	117,000
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\$970,000 Lease Revenue Bonds due in annual installments of \$48,000 to \$86,000 through September 2019; interest at 2.84% to 4.87%.	922,000
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Power Fund:

\$4,735,000 Revenue Bond due in annual installments of \$170,000 to \$305,000 through October 2015 with a \$1,415,000 payoff in 2019; interest at 4.85% to 5.55%.	3,885,000
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\$2,967,000 Revenue Bonds, Series 2004; due in annual installments of \$151,000 to \$259,000 through September 2018; interest at 2.4% to 4.8%.	2,643,000
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(4) Tax Increment Bonds:

Redevelopment Agency:

\$3,765,000, 3/1/93 Tax Increment Bond due in annual installments of \$180,000 to \$280,000 through March 1, 2013; interest at 3.1%.	1,695,000
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\$897,000 Tax Increment Bonds, Series 2004; due in annual installments of \$162,000 to \$199,000 through December 2009; interest at 3.9% to 6.2%.	735,000
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Total Bonds Payable	<u>\$ 14,983,000</u>
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CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Other long-term debt at June 30, 2006 is comprised of the following:

Leases Payable:

Lease payable in installments semi-annually of \$15,197.42 through June 2011, at 5.4% interest.	131,510
Lease payable in installments quarterly of \$16,659.35 through April 2012, at 4.55% interest.	335,078
Lease payable in installments quarterly of \$15,372.16 through November 2006, at 2.45% interest.	30,461
Lease payable in installments quarterly of \$6,971.09 through November 2006, at 2.45% interest.	13,727
Lease payable in installments annually of \$16,769.58 through October 22, 2008, at 3.1% interest.	47,344
Lease payable in installments semi-annually of \$19,554.36 through March 23, 2008, at 3.48% interest.	74,930
Lease payable in installments semi-annually of \$24,265.79 through January 15, 2010, at 3.56% interest.	158,385
Total Leases Payable	<u>\$ 791,434</u>

Notes Payable:

Note payable to Stratton Brothers, due in monthly installments of \$6,298.08; through July 28, 2006, at 9% interest.	492,501
Total Notes Payable	<u>\$ 492,501</u>

Accrued Vacation and Comp Time Payable:	<u>\$ 131,916</u>
Total Long-Term Debt	<u>\$ 16,398,851</u>
Less Current Portion:	
Business-type Activities	(627,251)
Governmental-type Activities	(823,372)
Net Long-Term Debt	<u><u>\$ 14,948,228</u></u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The special assessment debt with government commitment listed above is payable from the special assessments levied against and secured by a lien upon the lots, tracts and parcels of land within the district. In the event that the assessments are insufficient to pay the bonds and interest thereon as they become due, the deficiency shall be paid out of the general fund of the City. If the general fund does not have sufficient revenues to pay the debt service, the City council is required to levy a tax sufficient to provide payment of the debt. As of June 30, 2006, there are no delinquent special assessment receivables.

Annual Requirements to Amortize Long-Term Debt
June 30, 2006

Fiscal Year Ended 30-Jun	Redevelopment Agency Series 1993		Redevelopment Agency Series 2004	
	Principal	Interest	Principal	Interest
2007	\$ 205,000	\$ 52,545	\$ 170,000	\$ 36,854
2008	220,000	46,190	178,000	28,098
2009	230,000	39,370	188,000	17,837
2010	240,000	32,240	199,000	6,169
2011	255,000	24,800	-	-
2012	265,000	16,895	-	-
2013	280,000	8,680	-	-
Total	<u>\$ 1,695,000</u>	<u>\$ 220,720</u>	<u>\$ 735,000</u>	<u>\$ 88,958</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Municipal Building Authority Series 2000		Municipal Building Authority Series 1999	
	Principal	Interest	Principal	Interest
2007	\$ 27,000	\$ 7,020	\$ 113,000	\$ 91,911
2008	28,000	5,400	119,000	86,148
2009	30,000	3,720	125,000	80,020
2010	32,000	1,920	131,000	73,582
2011	-	-	138,000	66,836
2012	-	-	145,000	59,729
2013	-	-	153,000	52,261
2014	-	-	161,000	44,382
2015	-	-	169,000	36,090
2016	-	-	178,000	27,387
2017	-	-	187,000	18,220
2018	-	-	197,000	8,589
Total	<u>\$ 117,000</u>	<u>\$ 18,060</u>	<u>\$ 1,816,000</u>	<u>\$ 645,155</u>

Fiscal Year Ended 30-Jun	Municipal Building Authority Series 2004		Pressurized Irrigation Series 3/1/92	
	Principal	Interest	Principal	Interest
2007	\$ 50,000	\$ 38,493	\$ 24,000	\$ 19,000
2008	51,000	36,727	25,000	17,800
2009	53,000	34,742	26,000	16,550
2010	56,000	32,516	28,000	15,250
2011	58,000	30,070	29,000	13,850
2012	60,000	27,435	30,000	12,350
2013	63,000	24,602	32,000	10,850
2014	66,000	21,563	34,000	9,250
2015	69,000	18,312	35,000	7,550
2016	73,000	15,099	37,000	5,800
2017	76,000	11,970	39,000	3,950
2018	79,000	8,715	42,000	2,000
2019	82,000	5,334	-	-
2020	86,000	1,806	-	-
Total	<u>\$ 922,000</u>	<u>\$ 307,383</u>	<u>\$ 381,000</u>	<u>\$ 134,200</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Drainage Fund Series 1997		Drainage Fund Series 8/01/95	
	Principal	Interest	Principal	Interest
2007	\$ 34,000	\$ 25,685	\$ 17,000	\$ 13,260
2008	36,000	23,705	18,000	12,240
2009	-	23,705	19,000	11,160
2010	-	23,705	20,000	10,020
2011	-	23,705	21,000	8,820
2012	-	23,705	22,000	7,560
2013	-	23,705	24,000	6,240
2014	-	23,705	25,000	4,800
2015	-	23,705	27,000	3,300
2016	-	23,705	28,000	140
2017	-	23,705	-	-
2018	431,000	23,705	-	-
Total	<u>\$ 501,000</u>	<u>\$ 286,440</u>	<u>\$ 221,000</u>	<u>\$ 77,540</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Electric Utilities Fund Series 2000		Electric Utilities Fund Series 2004	
	Principal	Interest	Principal	Interest
2007	\$ 195,000	\$ 203,583	\$ 156,000	\$ 107,623
2008	210,000	193,833	162,000	101,934
2009	215,000	183,333	168,000	95,494
2010	225,000	172,905	176,000	88,352
2011	240,000	161,993	183,000	80,586
2012	255,000	150,233	192,000	72,192
2013	260,000	137,483	201,000	63,151
2014	275,000	124,223	210,000	53,438
2015	290,000	109,923	220,000	43,943
2016	305,000	94,698	229,000	34,850
2017	-	78,533	239,000	25,373
2018	-	78,533	248,000	15,512
2019	1,415,000	78,533	259,000	5,245
Total	<u>\$ 3,885,000</u>	<u>\$ 1,767,806</u>	<u>\$ 2,643,000</u>	<u>\$ 787,691</u>

Fiscal Year Ended 30-Jun	Special Improvement District Number 96-1 Series 7/15/98	
	Principal	Interest
2007	\$ 179,000	\$ 30,510
2008	188,000	20,844
2009	198,000	10,692
Total	<u>\$ 565,000</u>	<u>\$ 62,046</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	General Fund Series 8/20/96		Limited Obligation Road Bonds Series 1999	
	Principal	Interest	Principal	Interest
2007	\$ 34,000	\$ 13,702	\$ -	\$ 74,373
2008	36,000	11,584	-	74,373
2009	38,000	9,308	240,000	74,373
2010	40,000	6,880	-	61,413
2011	43,000	4,276	-	61,413
2012	46,000	1,460	-	61,413
2013	-	-	-	61,413
2014	-	-	400,000	61,413
2015	-	-	-	37,813
2016	-	-	-	37,813
2017	-	-	-	37,813
2018	-	-	-	37,813
2019	-	-	625,000	37,813
Total	<u>\$ 237,000</u>	<u>\$ 47,210</u>	<u>\$ 1,265,000</u>	<u>\$ 719,249</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 7. Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of an emergency vehicle, backhoe, truck, trailer, fire truck, park and fire property and some golf equipment. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms for a nominal \$1 payment) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of future minimum lease payments under such capital leases, and the present value of net minimum lease payments at June 30, 2006.

- (A) Lease of park and fire property. The value of the land is \$232,500. The lease payment is \$15,197.42, paid semi-annually. Interest is accrued at 5.4%.

Fiscal year ended:

6/30/2007	\$	30,395
6/30/2008		30,395
6/30/2009		30,395
6/30/2010		30,395
6/30/2011		30,395
Total lease payments		<u>151,975</u>
Less amount representing interest		<u>(20,465)</u>
Present value of lease	\$	<u><u>131,510</u></u>

- (B) Lease of fire truck and related equipment. The value of the truck and equipment is \$522,759. The lease payment is \$16,659, paid quarterly. Interest is accrued at 4.55%. Accumulated depreciation on the assets is \$323,223.

Fiscal year ended:

6/30/2007	\$	66,636
6/30/2008		66,636
6/30/2009		66,636
6/30/2010		66,636
6/30/2011		66,636
6/30/2012		66,636
Total lease payments		<u>399,816</u>
Less amount representing interest		<u>(64,738)</u>
Present value of lease	\$	<u><u>335,078</u></u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 7. Capital Leases, Continued

- (C) Lease of six Ford F-150 Police vehicles, a Dodge Dakota 4x4, a 5600 Toolcat, a 2004 GMC 1500 truck, and a 2004 GMC 2500 truck, with a down payment of \$51,092. The lease payment is \$22,343, paid quarterly. Interest is accrued at 2.45%. Accumulated depreciation on the assets is \$101,861.

The assets acquired through the capital lease are as follows:

	Governmental Activities	Electric Fund
Asset:		
Plant and equipment	\$ 208,244	\$ 55,908
Less: Accumulated Depreciation	(79,497)	(22,363)
Total	<u>\$ 128,747</u>	<u>\$ 33,545</u>

Fiscal year ended:

6/30/2007	\$ 44,687
Total lease payments	44,687
Less amount representing interest	(499)
Present value of lease	<u>\$ 44,188</u>

- (D) Lease of a Front End Loader. During the year, the upgraded loader financed under the lease was traded for a new loader. The City intends to continue trading loaders each year under a program with the manufacturer. The value of the new loader is \$122,000. The lease payment is \$16,770, paid annually. Interest is accrued at 3.1%. Accumulated depreciation on the asset is \$10,167.

Fiscal year ended:

6/30/2007	\$ 16,770
6/30/2008	16,770
6/30/2009	16,770
Total lease payments	50,310
Less amount representing interest	(2,966)
Present value of lease	<u>\$ 47,344</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 7. Capital Leases, Continued

- (E) Lease of 5 vehicles used in the Steets, Police, and Fire departments with a down payment of \$33,106. The value of the equipment is \$143,606. The lease payment is \$19,554.36, paid semi-annually. Interest is accrued at 3.48%. Accumulated depreciation on the assets is \$37,588.

Fiscal year ended:

6/30/2007	39,109
6/30/2008	39,109
Total lease payments	78,218
Less amount representing interest	(3,288)
Present value of lease	<u>\$ 74,930</u>

- (F) Lease of a Road Grader and Sweeper Truck with a down payment of \$43,922. The value of the equipment is \$264,422. The lease payment is \$24,265.79, paid semi-annually. Interest is accrued at 3.56%. Accumulated depreciation on the assets is \$62,958.

Fiscal year ended:

6/30/2007	24,266
6/30/2008	48,532
6/30/2009	48,532
6/30/2010	48,532
Total lease payments	169,862
Less amount representing interest	(11,477)
Present value of lease	<u>\$ 158,385</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 8. Interfund Transactions and Balances

Individual fund receivable and payable balances at June 30, 2006 were:

Fund	Interfund Receivables	Interfund Payables
Capital Project Fund	\$ 153,298	\$ -
Redevelopment Agency Fund	145,657	153,298
Golf Course Fund	-	145,657
Electric Fund	-	-
Municipal Building Authority	-	-
Pressurized Irrigation Fund	-	-
Totals	<u>\$ 298,955</u>	<u>\$ 298,955</u>

The balance of \$153,298 due to the Capital Project Fund from the Redevelopment Agency Fund resulted from predevelopment costs of the Sky Mountain Golf Course loaned from the capital projects fund; \$75,000 of the balance is not scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2006, consisted of the following:

	Transfer In:	Transfer Out:
General Fund	\$ -	\$ 311,702
Capital Project Fund	160,402	-
Ambulance Fund	25,000	-
Small Projects Fund	126,300	-
Pressurized Irrigation Fund	54,260	-
Water Fund	-	54,260
	<u>\$ 365,962</u>	<u>\$ 365,962</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Reserved fund balances are comprised of cash restricted for the following purposes: cemetery funds restricted as to use; flag trust fund money restricted for flag replacement; capital projects funds where amounts are restricted for capital project use only; general fund, special revenue fund and debt service fund money restricted for long-term debt reserves; and enterprise funds restricted for impact fees and long-term debt reserves.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 10. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Hurricane City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Noncontributory Retirement System and the Firefighter's Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Hurricane City is required to contribute 11.09% of their annual covered salary. In the Public Safety Noncontributory Retirement System, Hurricane City is required to contribute 19.34% of their annual covered salary. In the Firefighter's System, the City contributes 8.61%. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2006 fiscal year and the two previous years are as follows:

<u>Year Ended 6/30</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2006	N/A	N/A	\$ 209,286.38	\$ 1,887,165.36
2005	N/A	N/A	182,514.61	1,645,755.20
2004	N/A	N/A	148,244.51	1,541,002.63
Public Safety System:				
Other Division A Noncontributory				
2006	N/A	N/A	\$ 89,004.84	\$ 460,208.49
2005	N/A	N/A	87,813.77	460,237.88
2004	N/A	N/A	65,350.76	402,407.76
Firefighters System:				
Division A				
2006	N/A	\$ 21,989.80	N/A	\$ 255,399.70
2005	N/A	16,223.51	N/A	188,426.82
2004	N/A	16,367.27	N/A	199,356.31
Defined Contribution System:				
457 Plan				
2006	\$ 11,399.56	\$ -	-	-
2005	7,281.56	-	-	-
2004	1,300.00	-	-	-
401(k) Plan				
2006	\$ 45,325.50	\$ 26,898.20	-	-
2005	45,740.55	17,382.64	-	-
2004	38,252.38	18,015.12	-	-

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

NOTE 12. Individual Fund Disclosures

Segment Information

For information on the enterprise funds, see the proprietary funds' financial statements in the fund financial statements and the combining financial statements in the supplementary section.

NOTE 13. Contingencies and Commitments

Fire Engine

During FY 2006, the City made a commitment for a lease purchase of a new fire engine. The lease purchase will be in the amount of \$397,000, but to date the vehicle has not been received, nor has financing been finalized.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 14. Sewer and Garbage Contracts

Sewer and garbage disposal services are provided to the residents of the City by the Ash Creek Special Service District and the Washington County Solid Waste Special Service District respectively. The City bills for these services as part of its utility billings and the revenues and corresponding expenditures related to such services are included in the Electric Fund. Amounts due to these entities, if any, are included with accounts payable in the Electric Fund balance sheet.

NOTE 15. Redevelopment Agency

The redevelopment agency was set up by the City and is reported in these financial statements as a blended component unit. The bonds of the agency are not legal obligations of the City and should they become delinquent are not backed by the good faith of the tax base of the City. The Agency is governed by a separate board appointed by the City Council. At this time, the Council has elected to appoint themselves as the governing board. Under the golf course RDA, the golf course was bonded and constructed by the Agency and leased to the City on a year to year lease, renewable each June. The amounts are included in the General Fund. The land, golf course improvements, and buildings are included as governmental capital assets in the statement of net assets. The bonds are also included in the governmental column of the statement of net assets. The agency is accounted for under the modified accrual basis of accounting, the same as the general fund.

The City's redevelopment agency has three project areas. Project Area #1 and #2 were used to develop the Sky Mountain Golf Course and surrounding area. Area #3 was used to develop the Gateway Industrial Park.

The following is information concerning the taxes collected, bonds outstanding and costs expended for the fiscal year ended June 30, 2006.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 15. Redevelopment Agency, Continued

	<u>Area #1</u>	<u>Area #2</u>	<u>Area #3</u>
Tax increment collected	\$ 172,564	\$ 234,690	\$ 300,096
Tax increment paid to taxing entities	None	None	None
Outstanding bonds	\$ 1,695,000	None	\$ 735,000
Outstanding loans	None	\$ 153,298	None
Funds expended:	None	None	None
Acquisition of property	None	None	None
Site improvements	None	None	None
Public utilities	None	None	None
Administrative costs	\$ 8,774	\$ 11,631	\$ 15,000

COMBINING STATEMENTS

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Special Revenue Fund is used to account for the proceeds from the ¼% sales tax passed by the City voters to be used for transportation-related improvements.

CAPITAL PROJECTS FUNDS

The Redevelopment Agency capital projects fund is used to account for the receipt of property taxes for, and the expenditure of funds for, RDA #1 and #2. These project areas were used to develop the Sky Mountain Golf Course and surrounding area.

The Redevelopment Agency #3 capital projects fund is used to account for the expenditure of funds for the RDA used to develop the area around the Wal-Mart Distribution Center.

The Swimming Pool capital projects fund is used to account for expenditure of funds for swimming pool and recreation related capital expenditures.

The Ambulance capital projects fund is used to account for funds designated for purchase of new ambulances. Funds are set aside every year so that a new ambulance can be purchased at the time one is needed.

The Fire Impact capital projects fund is used to account for the fees received and the expenditures made from Public Safety impact fees. Expenditures are made for capital improvements to Public Safety buildings and facilities.

The Street Impact capital projects fund is used to account for major street projects. This fund accounts for projects that cover more than one fiscal budget year.

The Parks Impact capital projects fund is used to account for the fees received and the expenditures made from Park impact fees. Expenditures are made for capital improvements to existing parks and acquisition of new park property and facilities.

The Capital Improvement capital projects fund is used to account for the expenditures of a CDBG grant for affordable housing. The grant is set up on a revolving fund to purchase, renovate, and sell homes for affordable housing.

The Small Projects capital projects fund is used to account for the expenditures of funds for small multi-year projects. The current funds are for completion of a master plan and animal shelter.

ENTERPRISE FUNDS

The Pressurized Irrigation Fund is used to account for the provision of pressurized irrigation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing, related debt service, and billing and collection.

The Drainage Fund is used to account for the construction, financing, and operation and maintenance of a storm drain system within the City.

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CITY OF HURRICANE, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Capital Projects				
	Special Revenue	Redevelopment Agency	Redevelopment Agency #3	Swimming Pool	Ambulance
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	145,657	-	-	-
Restricted cash and cash equivalents	381,787	1,218,985	431,595	228,615	85,429
Total assets	<u>\$ 381,787</u>	<u>\$ 1,364,642</u>	<u>\$ 431,595</u>	<u>\$ 228,615</u>	<u>\$ 85,429</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	153,298	-	-	-
Total liabilities	<u>-</u>	<u>153,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved for:					
Capital outlay	-	1,211,344	431,595	228,615	85,429
Other	381,787	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Total fund balances	<u>381,787</u>	<u>1,211,344</u>	<u>431,595</u>	<u>228,615</u>	<u>85,429</u>
Total liabilities and fund balance	<u>\$ 381,787</u>	<u>\$ 1,364,642</u>	<u>\$ 431,595</u>	<u>\$ 228,615</u>	<u>\$ 85,429</u>

<u>Fire Impact</u>	<u>Street Impact</u>	<u>Parks Impact</u>	<u>Capital Improvement</u>	<u>Small Projects</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
240,043	648,041	866,894	153,298	-	298,955	298,955
<u>\$ 240,043</u>	<u>\$ 648,041</u>	<u>\$ 866,894</u>	<u>84,800</u>	<u>595,196</u>	<u>4,399,598</u>	<u>4,781,385</u>
			<u>\$ 238,098</u>	<u>\$ 595,196</u>	<u>\$ 4,698,553</u>	<u>\$ 5,080,340</u>
\$ -	\$ -	\$ 7,195	\$ -	\$ -	7,195	7,195
-	-	-	-	-	153,298	153,298
-	-	7,195	-	-	160,493	160,493
240,043	648,041	859,699	238,098	595,196	4,538,060	4,538,060
-	-	-	-	-	-	381,787
<u>240,043</u>	<u>648,041</u>	<u>859,699</u>	<u>238,098</u>	<u>595,196</u>	<u>4,538,060</u>	<u>-</u>
<u>\$ 240,043</u>	<u>\$ 648,041</u>	<u>\$ 866,894</u>	<u>\$ 238,098</u>	<u>\$ 595,196</u>	<u>\$ 4,698,553</u>	<u>\$ 5,080,340</u>

CITY OF HURRICANE, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Capital Projects				
	Special Revenue	Redevelopment Agency	Redevelopment Agency #3	Swimming Pool	Ambulance
Revenues					
Taxes	\$ 354,020	\$ 407,254	\$ 300,096	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-
Charges for services	-	-	-	-	-
Sale of capital assets	-	-	-	3	-
Contributions and donations	-	-	-	9,450	2,763
Investment earnings	12,126	44,372	12,213	-	-
Other revenues	-	-	291,200	-	-
Total revenues	<u>366,146</u>	<u>451,626</u>	<u>603,509</u>	<u>9,453</u>	<u>2,763</u>
Expenditures					
Current:					
General government	3,825	-	-	-	-
Parks and recreation	-	-	-	-	-
Economic development	-	21,260	289,125	-	-
Debt service:					
Principal	55,000	195,000	162,000	-	-
Interest	75,858	58,590	44,018	-	-
Capital outlay:					
Street construction	10,400	-	85,238	-	-
Capital outlay	-	30,890	-	-	-
Total expenditures	<u>145,083</u>	<u>305,740</u>	<u>580,381</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>221,063</u>	<u>145,886</u>	<u>23,128</u>	<u>9,453</u>	<u>2,763</u>
Other Financing Sources (Uses)					
Lease payment	-	188,586	-	-	-
Operating transfers in	-	-	-	-	25,000
Operating transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>188,586</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	<u>221,063</u>	<u>334,472</u>	<u>23,128</u>	<u>9,453</u>	<u>27,763</u>
Fund balances, beginning of year	<u>160,724</u>	<u>876,872</u>	<u>408,467</u>	<u>219,162</u>	<u>57,666</u>
Fund balances, end of year	<u>\$ 381,787</u>	<u>\$ 1,211,344</u>	<u>\$ 431,595</u>	<u>\$ 228,615</u>	<u>\$ 85,429</u>

Fire Impact	Street Impact	Parks Impact	Capital Improvement	Small Projects	Total Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 707,350	\$ 1,061,370
96,007	355,659	383,828	-	-	835,494	835,494
-	-	-	2	-	2	2
-	-	25,192	-	-	25,195	25,195
11,748	4,461	32,693	3,530	14,465	135,695	147,821
-	5,542	-	-	-	296,742	296,742
<u>107,755</u>	<u>365,662</u>	<u>441,713</u>	<u>3,532</u>	<u>14,465</u>	<u>2,000,478</u>	<u>2,366,624</u>
12,336	20,300	6,767	-	9,836	49,239	53,064
-	-	-	-	-	-	-
-	-	-	-	-	310,385	310,385
7,364	-	15,018	-	-	379,382	434,382
2,636	-	5,377	-	-	110,621	186,479
-	2,138	-	-	-	87,376	97,776
<u>1,262</u>	<u>-</u>	<u>138,812</u>	<u>-</u>	<u>-</u>	<u>170,964</u>	<u>170,964</u>
<u>23,598</u>	<u>22,438</u>	<u>165,974</u>	<u>-</u>	<u>9,836</u>	<u>1,107,967</u>	<u>1,253,050</u>
<u>84,157</u>	<u>343,224</u>	<u>275,739</u>	<u>3,532</u>	<u>4,629</u>	<u>892,511</u>	<u>1,113,574</u>
(90,000)	-	-	-	-	98,586	98,586
-	160,402	-	-	126,300	311,702	311,702
-	-	-	-	-	-	-
<u>(90,000)</u>	<u>160,402</u>	<u>-</u>	<u>-</u>	<u>126,300</u>	<u>410,288</u>	<u>410,288</u>
(5,843)	503,626	275,739	3,532	130,929	1,302,799	1,523,862
245,886	144,415	583,960	234,566	464,267	3,235,261	3,395,985
<u>\$ 240,043</u>	<u>\$ 648,041</u>	<u>\$ 859,699</u>	<u>\$ 238,098</u>	<u>\$ 595,196</u>	<u>\$ 4,538,060</u>	<u>\$ 4,919,847</u>

CITY OF HURRICANE, UTAH
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2006

	<u>Pressurized Irrigation Fund</u>	<u>Drainage Fund</u>	<u>Total Non-Major</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 8	\$ 112,770	\$ 112,778
Receivables, net of allowance	12,194	18,478	30,672
Total current assets	<u>12,202</u>	<u>131,248</u>	<u>143,450</u>
Noncurrent assets:			
Restricted cash and cash equivalents		94,341	94,341
Capital assets:			
Water stock	272,865	-	272,865
Distribution system	861,755	1,732,428	2,594,183
Less: Accumulated depreciation	<u>(224,846)</u>	<u>(195,060)</u>	<u>(419,906)</u>
Total noncurrent assets	<u>909,774</u>	<u>1,631,709</u>	<u>2,541,483</u>
Total assets	<u>921,976</u>	<u>1,762,957</u>	<u>2,684,933</u>
Liabilities			
Current liabilities:			
Accounts payable	275	-	275
Due to other funds	-	-	-
Interest payable	6,333	21,752	28,085
Current portion of noncurrent liabilities	<u>24,000</u>	<u>51,000</u>	<u>75,000</u>
Total current liabilities	<u>30,608</u>	<u>72,752</u>	<u>103,360</u>
Noncurrent liabilities:			
Bonds payable	381,000	722,000	1,103,000
Less current portion of noncurrent liabilities	<u>(24,000)</u>	<u>(51,000)</u>	<u>(75,000)</u>
Total noncurrent liabilities	<u>357,000</u>	<u>671,000</u>	<u>1,028,000</u>
Total liabilities	<u>387,608</u>	<u>743,752</u>	<u>1,131,360</u>
Net Assets			
Invested in capital assets, net of related debt	528,774	815,368	1,344,142
Restricted for debt service	-	94,341	94,341
Restricted for capital outlay	-	-	-
Unrestricted	<u>5,594</u>	<u>109,496</u>	<u>115,090</u>
Total net assets	<u>\$ 534,368</u>	<u>\$ 1,019,205</u>	<u>\$ 1,553,573</u>

CITY OF HURRICANE, UTAH
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Year Ended June 30, 2006

	<u>Pressurized Irrigation Fund</u>	<u>Drainage Fund</u>	<u>Total Non-Major</u>
Operating revenues:			
Charges for services	\$ 102,252	\$ 226,448	\$ 328,700
Other revenues	-	-	-
Total operating revenues	<u>102,252</u>	<u>226,448</u>	<u>328,700</u>
Operating expenses:			
Purchased power	-	-	-
Power generation	-	-	-
Rent	63,720	-	63,720
Salaries and wages	-	-	-
Payroll taxes	-	-	-
Employee benefits	-	-	-
Distribution system repairs and maintenance	5,563	-	5,563
Equipment repairs and maintenance	-	-	-
Truck repairs and maintenance	-	-	-
Tools expense	-	-	-
Office expense	-	-	-
Gasoline	-	-	-
Insurance	1,142	1,408	2,550
Depreciation	17,235	39,429	56,664
Bad debts	200	588	788
Telephone	-	-	-
Utilities	15,225	-	15,225
Office supplies	-	-	-
Special department supplies	-	-	-
Professional services	1,218	6,369	7,587
Trustee fees	-	-	-
Advertising	-	-	-
Franchise payment	-	-	-
Travel and training	-	-	-
Miscellaneous	-	36,399	36,399
Sales tax	-	-	-
Fertilizer and chemicals	-	-	-
Postage and freight	-	-	-
Credit card expense	-	-	-
Assessments	15,913	-	15,913
Total operating expenses	<u>120,216</u>	<u>84,193</u>	<u>204,409</u>
Operating income (loss)	<u>(17,964)</u>	<u>142,255</u>	<u>124,291</u>
Nonoperating revenues (expenses):			
Connection and impact fees	23,929	16,158	40,087
Interest income	-	6,987	6,987
Interest expense and fiscal charges	(19,767)	(28,888)	(48,655)
Total nonoperating revenues (expenses)	<u>4,162</u>	<u>(5,743)</u>	<u>(1,581)</u>
Income before contributions and transfers	(13,802)	136,512	122,710
Transfers from other funds	54,260	-	54,260
Change in net assets	<u>40,458</u>	<u>136,512</u>	<u>176,970</u>
Total net assets, beginning of year	493,910	882,693	1,376,603
Total net assets, end of year	<u>\$ 534,368</u>	<u>\$ 1,019,205</u>	<u>\$ 1,553,573</u>

CITY OF HURRICANE, UTAH
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2006

	Pressurized Irrigation Fund	Drainage Fund	Total Non-Major
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 105,843	\$ 224,919	\$ 330,762
Cash received from customers, capacity fees and other	(125,107)	(72,711)	(197,818)
Cash paid to suppliers	(19,264)	152,208	132,944
Net cash provided (used) by operating activities			
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	54,260	-	54,260
Advances (to) from other funds	(8,576)	-	(8,576)
Net cash provided by noncapital financing activities	45,684	-	45,684
Cash flows from capital and related financing activities:			
Principal payments on bonds	(22,000)	(49,000)	(71,000)
Interest paid	(20,151)	(30,467)	(50,618)
Purchase of capital assets	(8,190)	(106,031)	(114,221)
Connection and impact fees	23,929	16,158	40,087
Net cash used by capital and related financing activities:	(26,412)	(169,340)	(195,752)
Cash flows from investing activities:			
Interest on investments	-	6,987	6,987
Net increase (decrease) in cash and cash equivalents	8	(10,145)	(10,137)
Cash and cash equivalents, beginning of year	-	217,256	217,256
Cash and cash equivalents, end of year	\$ 8	\$ 207,111	\$ 207,119
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ (17,964)	\$ 142,255	\$ 124,291
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation/amortization	17,235	39,429	56,664
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	3,591	(1,528)	2,063
Increase (Decrease) in accounts payable	(22,126)	(27,947)	(50,073)
Net cash provided by operating activities	\$ (19,264)	\$ 152,209	\$ 132,945

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
By Source
For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets				
Land, improvements and water rights	\$ 5,342,709	\$ 147,674	\$ -	\$ 5,490,383
Plant and equipment	4,511,136	355,234	86,159	4,780,211
Buildings	580,673	-	-	580,673
Infrastructure	8,856,153	392,900	-	9,249,053
	<u>\$ 19,290,671</u>	<u>\$ 895,808</u>	<u>\$ 86,159</u>	<u>\$ 20,100,320</u>
Investment in Capital Assets From				
General city revenues, grants, and bonds	\$ 19,290,671	\$ 895,808	\$ 86,159	\$ 20,100,320
Contributions from incorporation	-	-	-	-
	<u>\$ 19,290,671</u>	<u>\$ 895,808</u>	<u>\$ 86,159</u>	<u>\$ 20,100,320</u>

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CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
By Function and Activity
For the Year Ended June 30, 2006

Functions and Activity	June 30, 2006	Land and Improvements	Plant and equipment
General government			
City council	\$ 4,377	\$ -	\$ 4,377
City manager	3,293	-	3,293
Court	9,086	-	9,086
Personnel	75,526	-	75,526
Other - unclassified	1,098,570	527,548	569,326
Public safety			
Police	875,599	16,000	859,599
Fire	1,820,426	6,942	1,813,484
Ambulance	429,929	-	429,929
Animal control	47,015	-	47,015
Highways			
Airport	594,867	594,867	-
Maintenance	707,908	-	707,908
Street system	9,477,885	308,657	28,696
Other - unclassified	211,460	102,939	-
Parks and recreation			
Golf	3,502,968	3,002,968	-
Other - unclassified	1,241,411	930,462	231,972
Total governmental funds capital assets	\$ 20,100,320	\$ 5,490,383	\$ 4,780,211

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CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2006

Functions and Activity	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
General government				
City council	\$ 4,377	\$ -	\$ -	\$ 4,377
City manager	3,293	-	-	3,293
Court	9,086	-	-	9,086
Personnel	67,841	7,700	15	75,526
Other - unclassified	970,892	127,678	-	1,098,570
Total general government	<u>1,055,489</u>	<u>135,378</u>	<u>15</u>	<u>1,190,852</u>
Public safety				
Police	752,661	122,938	-	875,599
Fire	1,791,634	28,792	-	1,820,426
Ambulance	422,385	21,688	14,144	429,929
Animal control	47,015	-	-	47,015
Total public safety	<u>3,013,695</u>	<u>173,418</u>	<u>14,144</u>	<u>3,172,969</u>
Highways				
Airport	594,867	-	-	594,867
Maintenance	689,531	84,377	66,000	707,908
Street system	9,045,889	431,996	-	9,477,885
Other - unclassified	211,460	-	-	211,460
Total highways	<u>10,541,747</u>	<u>516,373</u>	<u>66,000</u>	<u>10,992,120</u>
Parks and recreation				
Golf	3,502,968	-	-	3,502,968
Other - unclassified	1,176,772	70,639	6,000	1,241,411
Total parks and recreation	<u>4,679,740</u>	<u>70,639</u>	<u>6,000</u>	<u>4,744,379</u>
Total governmental funds capital assets	<u>\$ 19,290,671</u>	<u>\$ 895,808</u>	<u>\$ 86,159</u>	<u>\$ 20,100,320</u>

FEDERAL AND STATE REPORTS

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CPAS & ADVISORS

**Independent Auditors' Report on
Internal Control over Financial Reporting and on
Compliance and other Matters
Based on an Audit of Basic
Financial Statements Performed in Accordance
with *Government Auditing Standards***

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

To the Honorable Mayor and
Members of the City Council
Hurricane, Utah 84737

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hurricane, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City of Hurricane, Utah's basic financial statements and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hurricane City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hurricane City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
October 20, 2006



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report on State Legal Compliance

To the Honorable Mayor and
Members of the City Council
Hurricane, UT 84737

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of the City of Hurricane, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. As part of our audit, we have audited the City of Hurricane's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Liquor Law Enforcement
Justice Courts
Other General Compliance Issues
Department of Commerce
B & C Road Funds
Impact Fees & Other Development Fees
Asset Forfeiture

The management of the City of Hurricane is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Hurricane, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
October 20, 2006



MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Clark Fawcett
Honorable Mayor
And City Council
Hurricane, UT 84737

Ladies and Gentlemen:

During our audit of the funds of Hurricane City for fiscal year 2005-2006, we found several weaknesses discussed in prior years that have been improved upon. We would like to compliment those city personnel responsible for the improvements. However, we also discovered two state laws the City had not complied with. They are discussed below for your consideration.

1. Finding – City Treasurer’s Bond

Utah Code Annotated, 1953, as amended, Section 51-7-15 and Rule 4 of the Utah Money Management Council requires that the city treasurer be bonded at certain levels, based on budgeted City revenues. Currently the city treasurer is bonded for \$650,000. Due to continued growth in the City’s budget, the bond amount is no longer adequate.

Recommendation

We suggest the City increase the city treasurer’s bonding amount to at least \$1,000,000.

2. Finding - Budgeted Property Tax Revenue

State Law requires that the City’s budgeted property tax revenues equal the amount shown on the TC-693 *Tax Rate Summary* in the “Budgeted Revenue” column. The City’s budget for property tax does not equal the amount shown on the TC-693.

Recommendation

We recommend that the City ensure that the budgeted property tax revenues equal the amount shown on the TC-693 *Tax Rate Summary* in the “Budgeted Revenue” column.

3. Finding-Remittance of Justice Court Funds

Utah Code Section 51-4-2(4) (a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the 10th day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. The check remitting the January 2006 surcharge monies from court fines was dated February 13, 2006.

Recommendation

We recommend that the appropriate funds be remitted to the State according to State law by the 10th of each month.

4. Finding-Budget Compliance

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized departmental budget. The General Fund "Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual" identifies the over-expended department.

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

This letter is intended solely for the use of the City Council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each member of the staff who assisted us so efficiently in this year's audit. We found each member of the staff to be very helpful and cheerful. Particularly, a great deal of time was required by the city manager, Clark Fawcett. We felt that he made himself available whenever and wherever needed despite difficult time constraints. This certainly facilitated the preparation of the audit report.

We look forward to a continued pleasant professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
October 20, 2006



City of Hurricane

Larry LeBaron
Ethelyn Humphries
Mike Jensen
Dave Sanders

Clark R Fawcett
City Manager

Thomas B Hirschi
Mayor

Glenwood Humphries
Council Members

AUDIT MANAGEMENT LETTER RESPONSE

1. We have been increasing the treasurers bond every year. We just adjusted it again in October to get back into compliance.
2. This is almost impossible to correct given the current system. The city is required to adopt it's budget by the 22nd of June. The State and County are by suppose to have the forms to the City in early June. If this sytem worked the City could determine the right figure to budget and the budgetd amount and the TC-693 would match. As it is we didn't get our TC-693 until mid July after the budget was adopted. There was no way to make the two figures match at that point. We always budget higher than expected for property taxes so we don't lose taxes and then when the TC-693 comes in we adjust the amount budgeted to actual. I don't know how to fix this problem unless the State and County are required to speed up the process and get their work done on time.
3. We try very hard to make sure these are remitted on time. The court clerk responsible for this retired in December and we were training a new clerk in Januray. Since then they have been in on time.
4. We watch each department closely throughout the year and monitor the budget to actual status. We held the appropriate public hearings to open the budget for those departments that required additional funds. The last review showed all funds in compliance with budget. We thought that all funds were within their budget allowances. We will be more careful in our examination of the budget in the future so that no departments go over budget

STATISTICAL SECTION

CITY OF HURRICANE
NOTES TO STATISTICAL SECTION

Note 1. Statistical Information.

Water Connections	4,118
Power Connections	5,114
Water Usage	894,337,000 gallons
Power Usage	79,460,111 kilowatt hours
Residential Water Rates	Minimum \$16.00 Plus \$.70 to \$.90 per 1,000 Gallons depending on usage based on conservation
	Minimum \$18.00 Plus \$1.50 to \$1.90 per 1,000 Gallons depending on usage based on conservation.
Residential Power Rate	Base Rate \$7.00 Plus \$.0700 per kilowatt up to 800 kwh \$.0800 per kilowatt up to 2,000 kwh \$.0900 per kilowatt above 2,000 kwh

Note 2. Insurance Coverage.

Insurance coverage for Hurricane city for fiscal year 2006 was as follows:

<u>Insurer</u>	<u>Insurance Type</u>	<u>Amount of Coverage</u>	<u>Policy Number</u>
Utah Local Government Trust	General Liability	2,000,000	TGL 165
	Auto Liability	2,000,000	TGL 165
Utah Local Government Trust			TGL 165
	Police Station	240,780	
	Fire Station	374,130	
	Shop	215,900	
	Museum	436,220	
	Power Office	133,450	
	Golf Maintenance Shop	178,480	
	Pool	650,000	

	City Office	850,000	
	Golf Pro Shop	414,840	
	Power Generation	2,920,830	
	Animal Shelter	272,240	
Utah Local Governments Trust	Workers Compensation		
IHC	Health		LG-1002
Utah Local Governments Trust	Auto & Equipment	2,000,000	TGL 165
Utah Local Governments Trust	Airport Liability	1,000,000	TGL 165
Utah Local Governments Trust	Treasurer's Bond	650,000	TGL 165
	Recorder's Bond	40,000	
	Employee Blanket Bond	10,000	
Utah Local Governments Trust	Ambulance Services	2,000,000	TGL 165
Utah Local Governments Trust	Police Department	2,000,000	TGL 165
Utah Local Governments Trust	Public Officials E&O	2,000,000	TGL 165

HURRICANE CITY
SCHEDULE OF IMPACT FEES
June 30, 2006

Impact Fees		Interest		Expenses		Balance		Capital Projects for which the Impact Fees are Planned					
								<u>100 NORTH</u>	<u>2260 WEST</u>	<u>1380 WEST</u>	<u>700 WEST</u>	<u>600 NORTH</u>	
STREETS FUND 42													
6/30/2006	\$426,597.32	\$2,574.15	\$0.00	\$429,171.47	\$50,000.00	\$150,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$129,171.47			
PARKS FUND 43													
								<u>3 FALLS RESTROOM</u>	<u>200 WEST PARK</u>	<u>NEW BASEBALL FIELDS</u>	<u>2600 WEST PROPERTY</u>	<u>GRANDPA'S POND</u>	<u>RODEO GROUNDS</u>
6/30/2002	\$23,375.00	\$5,473.58	\$118,914.95	\$204,569.36									
6/30/2003	\$84,667.00	\$2,354.76	\$196,696.75	\$114,502.99									
6/30/2004	\$307,910.00	\$1,158.38	\$149,052.09	\$4,828.00									
6/30/2005	\$638,921.00	\$12,209.40	\$264,072.68	\$164,844.29									
6/30/2006	\$383,828.00	\$32,693.09	\$98,037.39	\$551,902.01									
				\$870,385.71	\$250,000.00	\$50,000.00	\$200,000.00	\$70,385.71	\$50,000.00	\$150,000.00	\$100,000.00		
PUBLIC SAFETY FUND 44													
								<u>POLICE STATION</u>	<u>FIRE STATION #1 PAYMENT</u>	<u>FIRE STATION #2 PAYMENT</u>			
6/30/2002	\$18,925.00	\$4,713.16	\$0.00	\$157,803.19									
6/30/2003	\$26,184.00	\$4,557.92	\$0.00	\$181,441.35									
6/30/2004	\$54,495.00	\$1,846.48	\$771,303.75	\$212,183.27									
6/30/2005	\$125,580.00	\$5,101.80	-\$633,809.94	-\$502,779.00									
6/30/2006	\$96,007.10	\$11,748.17	\$122,620.96	\$261,712.74									
				\$246,847.05	\$177,847.05	\$25,000.00	\$44,000.00						

HURRICANE CITY
SCHEDULE OF IMPACT FEES
June 30, 2006

Impact Fees		Interest	Expenses	Balance	Capital Projects for which the Impact Fees are Planned			
					EAST BENCH TANK	BENCH LAKE TANK	1380 WEST WATERLINE	SAND HOLLOW TANK
WATER FUND 51								
6/30/2002	\$262,898.00	\$15,488.54	\$502,581.53	\$740,122.14				
6/30/2003	\$247,603.00	\$11,655.88	\$113,365.44	\$515,927.15				
6/30/2004	\$390,895.00	\$12,097.86	\$215,300.20	\$661,820.59				
6/30/2005	\$1,154,171.00	\$45,151.73	\$1,086,217.42	\$849,513.25				
6/30/2006	\$1,397,885.80	\$73,840.18	\$146,352.62	\$962,618.56				
				\$2,287,991.92	\$650,000.00	\$650,000.00	\$404,991.92	\$583,000.00
ELECTRIC FUND 53								
					GATEWAY SUBSTATION	SOUTH FIELDS SUBSTATION	BOND PAYMENT BRENTWOOD SUBSTATION	
6/30/2002	\$257,927.78	\$18,450.04	\$642,303.77	\$545,122.20				
6/30/2003	\$232,745.00	\$4,527.00	\$197,182.59	\$179,196.25				
6/30/2004	\$368,986.00	\$3,959.43	\$660,123.36	\$219,285.66				
6/30/2005	\$853,728.00	\$5,929.70	\$701,290.07	-\$67,892.27				
6/30/2006	\$604,773.00	\$17,810.88	\$661,214.81	\$90,475.36				
				\$51,844.43				